



# STARTING A FRIENDS' GROUP IN MICHIGAN

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This information sheet is intended as a tool to assist in clarification and decision making for Public Library Directors and Boards. It is not intended as legal advice. Library Boards and Directors should consult with their library attorneys when determining a plan or policy for their libraries.

July 20, 2021

## Facts about Friends' Groups:

- In Michigan, public libraries are government entities, established by municipalities under particular laws. Public library friends' groups are separately formed non-profit corporations that work on behalf of the library they are benefitting. Many are also tax-exempt charitable organizations under the IRS code section 501(c)(3).
- The library governing body does not govern the friends' group.
- Friends' groups work with and on behalf of the library, but they are not part of the library. As separate, independent corporations, friends' groups control their own activities and have control over the funds they raise.
- Because they are a different type of legal entity (a non-profit corporation, charity, and/or a 501(c)(3) organization), friends' groups must abide by different laws and standards regarding their operations and financial accountability than public libraries do. This means that friends' groups may take on some projects or expenses public libraries may not, and, that there are some requirements that charities and non-profits have that public libraries do not. For example:
  - Friends' groups can make expenditures for the benefit of library staff and board members (such as meals, gifts, etc.). Public libraries as publicly funded government entities are prohibited from spending public money on these types of expenditures.
  - Friends' groups as nonprofit corporations are able to donate to political causes and millage campaigns (there are some limits and restrictions though). HOWEVER- 501(c)(3) entities also have specific limits and regulations regarding political donations and participation. Public libraries, however, may never donate to or participate in a political campaign.
- Friends' groups, as charitable organizations, are accountable and must adhere to, certain standards of financial reporting and operations. The Attorney General's office, under the Charitable Organizations and Solicitation Act, 1975 PA 169, [MCL 400.271 et seq](#) is charged with the [registration and oversight](#) of charitable organizations. However, some entities are exempt from registering with the AG as a charitable organization. Review the [exemptions](#) under the Charitable Solicitation Act to see if your group will have to register and report annually. In addition, the National Council of Non-Profits, a leading association for charities and tax-exempt organizations provides additional information on [best standards and practices](#).
- United for Libraries is an organization that is part of the American Library Association, and it specifically focuses on Board, Friends' and Foundation issues and support. The Library of Michigan, through the use of IMLS/LSTA grant funds, pays membership for every library, board, and friends' group in Michigan. Register on the <http://www.ala.org/united> website (click on "statewide access", then find Michigan, then click register). There are trainings, videos, documents, sample policies, and the availability of a national group of other friends to consult and share interests/ideas.

- [Friends of Michigan Libraries](#) (FOML) is a statewide organization that focuses on the support of library Friends' groups in Michigan. This is a long-standing group that has trainings and offers valuable opportunities (such as an e-mail listserv and events) that encourage friends' contact and sharing with friends' groups from across the state.

## Steps to start a Friends Group in Michigan (and things to think about and review)

- 1) Gather a coalition or group of interested persons (at least 3, preferably more). These persons will form the first board of directors of the organization. Review "[Obligations of Charity Board Members](#)" by the Michigan Attorney General's Charity and Solicitation Division and the Michigan Non-Profit Corporation Act sections concerning Director appointment and responsibilities ([MCL 450.2501 et seq.](#))
  - a. NOTE – Neither a sitting Board Member of the library that will be served by the new friends' group, nor that library's director is eligible to be on the board of the friends' group. This is a conflict of interest.
- 2) Talk to the library director about a friends' group. Your library director is one of the best resources to consult to determine the needs of the library. In addition, your director is probably a good source of institutional knowledge and history (as in has there ever been a friend' group before?). Get a feel for the types of assistance and projects the director would like to have friends' assistance on. This is also a good time to explore how the director anticipates working with the friends in terms of expectations of how money would be used and decisions on that money made, as well as how the library board may work with a friends' group.
  - a. Once the Friends' is incorporated and set up, you will want to Work with the library director and board on a Memorandum of Agreement or some other written agreement that lays out the expectations and processes that will govern the relationship between the library and the Friends' (samples can be found attached and [here](#).)
  - b. Other operational [policies and materials](#) can be found at United for Libraries at
- 3) Explore the American Library Association's United for Libraries (UFL) friends' resources. Particularly review [the Toolkit for forming a friends' group](#). (If you go to <http://www.ala.org/united> and click on the "Statewide Access-Find your state" button at the top of the page, you will see "Michigan," then "register").
- 4) Contact the [Friends of Michigan Libraries](#) (FOML) organization. This organization is comprised of friends from across the state. They have networking get-togethers and educational sessions that encourage networking among library friends' groups from across Michigan. This group can provide a lot of information and assistance in getting your group successfully off the ground.
- 5) Seek out other Friends' groups from other libraries and see how they operate and how they are organized. If possible, obtain copies of bylaws and Memorandum of Understanding that these other groups have with the libraries they serve.
- 6) Obtain copies of other groups Articles of incorporation from [LARA's Business Entity search](#) (it's free). Simply enter the words "friends of" in the "search by entity name" box (or you can also enter the full name of a friend's group if you have a specific one you would like to view) and select "Begins with" in the drop-down menu on the right. A list of all companies which have names beginning with "Friends of"

will appear in alphabetical order – simply scroll through and choose a friends’ of a library group to view by clicking on the name. A form will appear showing the official name, address and registered agent of that group, and a list of available filings. You can click on the filing you wish to view. Viewing these will provide examples for your filing.

- 7) This same search is also useful to search the name you choose for your group, to ensure that no one else has registered it (and there isn’t already a friends’ group that was created).
- 8) Prepare with the group to incorporate as a Non-profit Corporation in Michigan under The Michigan Nonprofit Corporations Act, 1982 PA 162, (MCL 450 2101 et, seq).
  - a. Review the information on the Michigan Department of Licensing and Regulatory Affairs website:
    - i. [Domestic Non-Profit Corporation](#)
    - ii. [Corporations Division](#)- forms and filing information.
    - iii. [LARA Corporations Online Filing System](#)
      1. [LARA Corporations Online Filing System User manual \(see page 31\)](#)
  - b. Work with the group to plan the corporation (Nolo Press, a reliable legal information publisher, has very clear information on this at [How to Form a Michigan Nonprofit Corporation | Nolo](#)). The following information is necessary as part of the articles of incorporation, which get filed with the Michigan Department of Licensing and Regulatory Affairs (LARA) in order to legally establish the corporation as a legal entity:
    - i. Name of corporation
    - ii. Purpose of corporation
    - iii. Type
      1. Member or director(board) governed.
        - a. If director governed, determine number of directors – the Mi statute requires at least 3. Most non-profit organizations recommend a number between 5-9. Be wary of having too large a board).
      2. Stock or Non-stock (will corporation issue shares of stock?) Most Friends groups are non-stock corporations.
    - iv. Location (official address of corporation)
    - v. Registered Agent (person who accepts legal communications and documentation on behalf of the corporation)
  - c. Draft Bylaws
- 9) Review the Attorney General [filing requirements](#) under the Charitable Solicitation Act
  - a. Since the Friends’ is a charity, they are subject to the requirements of the Charitable Solicitation Act. However, many friends’ groups are [exempt](#) as entities that raise less than \$25,000.00 in a year and have no paid employees. If [filing is required](#), it can be done [electronically](#)
- 10) Note that libraries as government entities are exempt from registration under this act, but a library’s friends’ group is not a government entity. Your group may be exempt under other criteria.
- 11) Hold your first board meeting with the group of initial board members (as listed in the corporation formation documents)
  - a. Approve Articles
  - b. Approve Bylaws

- c. Appoint Officers
- d. Institute a fiscal year and tax year
- e. Arrange for corporate bank account.
- f. Membership rules and process
- g. Meeting schedule

12) Review [requirements and procedure](#) to be recognized by the IRS as a 501(c)3 tax exempt entity.

- a. The process to be recognized as a 501(c)(3) is not difficult, but it can be complicated. A prospective organization must complete forms and certify that they meet criteria as an eligible entity under section 501(c)(3) of the Internal Revenue Code (.). Most often, library friends' groups qualify as "Public Charities."
  - i. It is a good idea to enlist an attorney to help with your IRS 501(c)(3) application. The IRS is pretty picky when it comes to these applications and will reject ones that are not correctly completed, or that do not include appropriate information. It is worth the cost to get legal assistance here.
- b. The IRS has an [online tool](#) (also free) where you can view filings from other 501(c)(3) entities. Searching this tool for other friends' groups in Michigan will show which friends' groups are 501(c)(3) entities, and if your library has had a group in the past that was. You can also view these groups' annual filings to see how they were qualified, and how these filings get completed each year.
- c. NOTE Michigan has no tax- exempt entity other than [an exemption from sales tax](#). However, a non-profit charity must be a 501(c)(3) entity in order to be exempt from sales tax.

Determine purchase of Officer/Director insurance, creation of bank account, and other company necessities.

13) With Board, determine policies for operations.

- a. Gift policy (what type of donations will the group take and not take? Who decides on a particular donation?)
- b. Financial policies and procedures
- c. Conflict of interest policies
- d. Solicitation and event policies (how are potential donors contacted, how are fundraising events organized)?

NOTE: This is not an exhaustive list of policies. [United for Libraries](#), the [UFL Toolkit](#), and the [National Council of Nonprofits](#) site can offer information and samples for various policies and procedures. Note that some nonprofits have paid staff, but it is not required.

14) Meet with Library Director and board members (if applicable) to discuss fundraising goals and wishes. Draft a proposed [Memorandum of Understanding](#) or other agreement to guide the relationship between the library and the friends' group. It is a good idea to get attorney input on this document too. This [document](#) from United for Libraries may be helpful in understanding the roles of the different stakeholders involved.

## RESOURCES

United for Libraries (UFL) - <http://www.ala.org/united>

UFL ToolKit - <https://www.ala.org/united/sites/ala.org.united/files/content/friends/libraries-need-friends.pdf> (excellent and easy to follow guide. Does not include specific information on Michigan laws.). This may require

registration and login at <http://www.ala.org/united> (click "statewide membership" button then Michigan, then register).

National Council of Nonprofits - <https://www.councilofnonprofits.org/>

Friends of Michigan Libraries - <https://foml.org/>

Michigan non-profit Corporation information

Nolo- How to form a Michigan Nonprofit Corporation - <https://www.nolo.com/legal-encyclopedia/forming-nonprofit-corporation-michigan-36070.html#four>

Michigan Department of Licensing and Regulatory Affairs (LARA) Non-Profit corporation page - [https://www.michigan.gov/lara/0,4601,7-154-89334\\_61343\\_35413\\_35426-120068--,00.html](https://www.michigan.gov/lara/0,4601,7-154-89334_61343_35413_35426-120068--,00.html)

Michigan Corporations Division - [https://www.michigan.gov/lara/0,4601,7-154-89334\\_61343\\_35413---,00.html](https://www.michigan.gov/lara/0,4601,7-154-89334_61343_35413---,00.html)

Filing information - [https://www.michigan.gov/documents/lara/BCS\\_CD\\_269\\_08-15\\_527658\\_7.pdf](https://www.michigan.gov/documents/lara/BCS_CD_269_08-15_527658_7.pdf)

Nonprofit form for articles of incorporation - [https://www.michigan.gov/documents/lara/502\\_08-15\\_527692\\_7.pdf](https://www.michigan.gov/documents/lara/502_08-15_527692_7.pdf)

Reservation of Name of Corporation - [https://www.michigan.gov/documents/lara/540\\_08-15\\_527734\\_7.pdf](https://www.michigan.gov/documents/lara/540_08-15_527734_7.pdf)

Online filing system user manual (see pp 31 for creating a new entity) - [https://www.michigan.gov/documents/lara/COFS\\_Public\\_User\\_Manual\\_604579\\_7.pdf](https://www.michigan.gov/documents/lara/COFS_Public_User_Manual_604579_7.pdf)

Filing fee schedule - [https://www.michigan.gov/documents/lara/Filing\\_Fees\\_604470\\_7.pdf](https://www.michigan.gov/documents/lara/Filing_Fees_604470_7.pdf)

Other Corporation forms - [https://www.michigan.gov/lara/0,4601,7-154-89334\\_61343\\_36737-118749--,00.html](https://www.michigan.gov/lara/0,4601,7-154-89334_61343_36737-118749--,00.html)

Michigan Attorney General Charitable Trust and Solicitations act information - [https://www.michigan.gov/ag/0,4534,7-359-81903\\_20942-45038--,00.html](https://www.michigan.gov/ag/0,4534,7-359-81903_20942-45038--,00.html)

Exemptions to filing - [https://www.michigan.gov/ag/0,4534,7-359-82915\\_82919-543940--,00.html](https://www.michigan.gov/ag/0,4534,7-359-82915_82919-543940--,00.html)

Charity Board Members and their duties - [https://www.michigan.gov/ag/0,4534,7-359-81903\\_20942-44603--,00.html](https://www.michigan.gov/ag/0,4534,7-359-81903_20942-44603--,00.html)

IRS 501(c)(3) information - <https://www.irs.gov/charities-non-profits/application-process>

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